



RISE OF RENTAL:

ENCOURAGING THE DEVELOPMENT OF PURPOSE-BUILT
RENTAL APARTMENTS ACROSS VANCOUVER AND TORONTO

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EXECUTIVE SUMMARY

Since the mid-1980s the development of purpose-built rental housing has decreased significantly in favour of condominium development in major Canadian cities. One third of Canadians are renters, however, less than 10 per cent of new developments built in the last 15 years were rental units (Canada Mortgage and Housing Corporation [CMHC], 2014a). Furthermore, first-time buyers are finding themselves priced out of ownership due to the increase in the land values across major cities. With a growing population, slow increases in income, and a limited new supply of purpose-built rental housing, the demand for modern rental housing has grown significantly. In a time where rental demand is at a 25-year high (Federation of Rental-housing Providers of Ontario [FRPO], 2015), this report attempts to dig deeper into this trend in the purpose-built rental housing market, and determine the factors that contribute to this demand and what can be done to accommodate it. Specifically, this research identifies the challenges faced by providers of purpose-built rental apartments (investors and developers), and examines policies encouraging their construction, such as the Rental 100: Secured Market Rental Housing Policy in Vancouver which will be examined in terms of its success and transferability to a municipality such as Toronto. In order to investigate this topic, the study was focused around the following four research questions:

- I. *Examining the supply of, and demand for, purpose-built rental apartments, what is the market size and relative share of this housing type in Vancouver and Toronto?*
- II. *What are the specific challenges and/or barriers faced by investors/owners of purpose-built rental apartments?*
- III. *Examining the Vancouver's rental assistance policy (Rental 100), what components of this policy were determined to be significant in facilitating the development of purpose-built rental units, and to what extent can those be applied effectively in Toronto?*
- IV. *What are recommendations for the City of Toronto and the City of Vancouver that would further encourage the construction of purpose-built rental apartments in both cities in the future?*

A quantitative and qualitative approach was used that (a) reviewed relevant literature, (b) examined provincial and municipal policies, guidelines, and bylaws on rental housing; (c) conducted a survey (web questionnaire) and semi-structured interviews with key informants. In terms of findings, it was found that the current inventory of purpose-built rental housing stock in both cities is largely a result of the legacy of policies and decisions taken by the federal and provincial government during previous eras. While the two cities have several different policies that encourage rental housing, the current rental housing supply in both cities is unable to respond effectively to existing and emerging demands. More importantly, it was found that while both municipalities have been working towards protecting the current supply of rental (purpose-built) housing in the city, only the City of Vancouver has established and implemented a policy program (Rental 100) that sets to directly incentivize their development. Overall, from the key-informant interviews it was determined that this policy program was able to accomplish what it was set to achieve. Several enabling and hindering factors to the development of rental housing were found. Key influencing enabling factors include allowance of additional density, Development Cost Levy waiver, and reduction in parking requirements. Key influencing hindering factors include lack of additional incentives from senior governments, long processing times, and high land prices.

Reflecting the overall findings and results, the study concludes with recommendations that both the City of Toronto and the City of Vancouver can consider. Recommendations 1 to 3 are directed to the City of Toronto, while recommendations 2 to 6 are suggested mainly for the City of Vancouver but should also be considered by the City of Toronto when creating and implementing a similar rental assistance policy in the future. The goal of these recommendations is to encourage the development of purpose-built rental apartments in both cities.

Toronto
Vancouver

1. Establish a municipal level policy to encourage rental projects
2. Consider the provision of federal and provincial incentives for rental
3. Form a rental liaison in the city to manage and expedite rental projects
4. Provide attractive incentives to rental projects supporting the city's sustainability goals
5. Opportunities to deliver more family units should be provided for developers
6. Public opinion and perception should be addressed to promote rental projects